

PEOPLES FINANCIAL CORP /MS/
Form 10-Q
August 11, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (D) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2017

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934**

Commission File Number 001-12103

PEOPLES FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

**Mississippi
(State or other jurisdiction)**

**64-0709834
(I.R.S. Employer)**

of incorporation or organization)

Identification No.)

Lameuse and Howard Avenues, Biloxi, Mississippi

39533

(Address of principal executive offices)

(Zip Code)

(228) 435-5511

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Peoples Financial Corporation has only one class of common stock authorized. At July 31, 2017, there were 15,000,000 shares of \$1 par value common stock authorized, with 5,123,186 shares issued and outstanding.

Part 1 Financial Information**Item 1: Financial Statements****Peoples Financial Corporation and Subsidiaries****Consolidated Statements of Condition****(in thousands except share data)**

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets		
Cash and due from banks	\$ 49,531	\$ 41,116
Available for sale securities	223,390	233,578
Held to maturity securities, fair value of \$45,373 at June 30, 2017; \$46,935 at December 31, 2016	45,380	48,150
Other investments	2,722	2,693
Federal Home Loan Bank Stock, at cost	543	539
Loans	286,469	315,355
Less: Allowance for loan losses	5,481	5,466
Loans, net	280,988	309,889
Bank premises and equipment, net of accumulated depreciation	20,827	21,644
Other real estate	7,358	8,513
Accrued interest receivable	1,700	1,855
Cash surrender value of life insurance	18,050	19,249
Insurance proceeds receivable	1,930	
Other assets	1,342	788
Total assets	\$ 653,761	\$ 688,014

Peoples Financial Corporation and Subsidiaries

Consolidated Statements of Condition (continued)

(in thousands except share data)

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Liabilities and Shareholders Equity		
Liabilities:		
Deposits:		
Demand, non-interest bearing	\$ 127,739	\$ 132,381
Savings and demand, interest bearing	331,257	364,975
Time, \$100,000 or more	52,713	38,650
Other time deposits	30,623	39,010
Total deposits	542,332	575,016
Borrowings from Federal Home Loan Bank	1,229	6,257
Employee and director benefit plans liabilities	17,068	16,768
Other liabilities	1,199	1,512
Total liabilities	561,828	599,553
Shareholders Equity:		
Common stock, \$1 par value, 15,000,000 shares authorized, 5,123,186 shares issued and outstanding at June 30, 2017 and December 31, 2016	5,123	5,123
Surplus	65,780	65,780
Undivided profits	20,545	19,318
Accumulated other comprehensive income (loss), net of tax	485	(1,760)
Total shareholders equity	91,933	88,461
Total liabilities and shareholders equity	\$ 653,761	\$ 688,014

See notes to consolidated financial statements.

Peoples Financial Corporation and Subsidiaries

Consolidated Statements of Income

(in thousands except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income:				
Interest and fees on loans	\$ 3,295	\$ 3,568	\$ 6,569	\$ 7,265
Interest and dividends on securities:				
U.S. Treasuries	375	250	790	457
U.S. Government agencies	136	218	278	567
Mortgage-backed securities	268	134	533	277
States and political subdivisions	386	316	779	621
Corporate bonds		8	8	16
Other investments	3	2	6	10
Interest on balances due from depository institutions	135	54	236	117
Total interest income	4,598	4,550	9,199	9,330
Interest expense:				
Deposits	336	224	600	424
Borrowings from Federal Home Loan Bank	9	43	24	85
Total interest expense	345	267	624	509
Net interest income	4,253	4,283	8,575	8,821
Provision for allowance for loan losses	30	24	56	137
Net interest income after provision for allowance for loan losses	\$ 4,223	\$ 4,259	\$ 8,519	\$ 8,684

Peoples Financial Corporation and Subsidiaries

Consolidated Statements of Income (continued)

(in thousands except per share data)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Non-interest income:				
Trust department income and fees	\$ 428	\$ 367	\$ 794	\$ 763
Service charges on deposit accounts	930	918	1,852	1,850
Gain on liquidation, sales and calls of securities	120	11	137	91
Income (loss) from other investments	17	18	29	(12)
Increase in cash surrender value of life insurance	129	91	228	193
Gain from death benefits from life insurance	429		429	
Other income	122	123	248	286
Total non-interest income	2,175	1,528	3,717	3,171
Non-interest expense:				
Salaries and employee benefits	2,749	2,755	5,598	5,529
Net occupancy	520	592	1,055	1,239
Equipment rentals, depreciation and maintenance	735	752	1,529	1,466
FDIC and state banking assessments	99	203	197	429
Data processing	319	332	650	672
ATM expense	136	167	258	275
Other real estate expense	268	123	330	474
Other expense	757	724	1,730	1,556
Total non-interest expense	5,583	5,648	11,347	11,640
Income before income taxes	815	139	889	215
Income tax expense (benefit)	(338)	78	(338)	78
Net income	\$ 1,153	\$ 61	\$ 1,227	\$ 137
Basic and diluted earnings per share	\$.23	\$.01	\$.24	\$.02
Dividends declared per share	\$	\$	\$	\$

See notes to consolidated financial statements.

Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 1,153	\$ 61	\$ 1,227	\$ 137
Other comprehensive income:				
Net unrealized gain on available for sale securities	1,271	1,409	2,382	2,730
Reclassification adjustment for realized gain on available for sale securities called or sold	(120)	(11)	(137)	(91)
Total other comprehensive income	1,151	1,398	2,245	2,639
Total comprehensive income	\$ 2,304	\$ 1,459	\$ 3,472	\$ 2,776

See notes to consolidated financial statements.

Peoples Financial Corporation and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

(in thousands except share data)

	Number of Common Shares	Common Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2017	5,123,186	\$ 5,123	\$ 65,780	\$ 19,318	\$ (1,760)	\$ 88,461
Net income				1,227		1,227
Other comprehensive income					2,245	2,245
Balance, June 30, 2017	5,123,186	\$ 5,123	\$ 65,780	\$ 20,545	\$ 485	\$ 91,933

Note: Balances as of January 1, 2017 were audited.

See notes to consolidated financial statements.

Peoples Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows**(in thousands)(unaudited)**

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 1,227	\$ 137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	951	894
Provision for allowance for loan losses	56	137
Writedown of other real estate	221	420
(Gains) losses on sales of other real estate	35	(130)
(Income) loss from other investments	(29)	12
Gain from death benefits from life insurance	(429)	
Amortization of held to maturity securities	129	63
Amortization of available for sale securities	29	11